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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8482
INFO RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 4528
RUEHNH/AMCONSUL NAHA IMMEDIATE 7169
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 7592
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 5728
RHEHAAA/NSC WASHDC IMMEDIATE
RHMFISS/COMUSJAPAN YOKOTA AB JA IMMEDIATE
RUEKJCS/SECDEF WASHDC IMMEDIATE
RHHMUNA/HQ USPACOM HONOLULU HI IMMEDIATE
RUEKJCS/JOINT STAFF WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000730

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SUBJECT: DFAA SCANDAL TO SNARE DIET MEMBERS, SAY INSIDERS

Classified By: Joseph R. Donovan, Deputy Chief of Mission, reasons 1.5
(b, d).

11. (C) SUMMARY: Several Diet Members are implicated and they or their key aides will soon be arrested as part of the ongoing bid-rigging scandal involving Japan's Defense Facilities Administration Agency (DFAA) construction contracts, according to DFAA and Diet insiders. Former Defense Minister and Liberal Democratic Party (LDP) politician Fumio Kyuma and independent Diet Member Muneo Suzuki are among those the Tokyo Special Prosecutor's office is targeting, according to contacts of Embassy Tokyo's political section. The Tokyo Prosecutor's office is preparing to arrest those Diet Members -- or more likely, their policy aides -- in March, after the Diet approves the Japanese government budget. The scandal will likely complicate, but not seriously undermine, the Japanese government's ability to persuade local authorities to agree to alliance basing realignment plans, the contacts predict. END SUMMARY.

Politicians the "real targets"

12. (C) Politicians are the real targets of the Tokyo Special Prosecutor's office in the DFAA bid-rigging investigation, according to Akihiko Nakajima, Cabinet Office Defense Councillor and former DFAA Facilities Division Director (protect). Nakajima, who acknowledged knowing the three senior DFAA officials already arrested in the scandal "very well", told Pol-Miloff February 8 that several Diet Members, including independent Muneo Suzuki and two unnamed LDP politicians "have bid-rigging dirt on their hands." The Tokyo Special Prosecutor was preparing to arrest those Diet Members, or more likely their policy aides, in March when the Diet ends deliberations on the government budget. Fumio Kyuma is one of the LDP Diet Members being targeted by prosecutors, according to Mao Yoshimura, policy aide to LDP Diet Member and former Defense Minister Shigeru Ishiba (protect), in a meeting with Pol-Miloff February 9.

13. (C) Neither Defense Minister Nukaga nor JDA Administrative Vice-Minister and senior bureaucrat Takemasa Moriya are expected to resign over the scandal, said Nakajima and Yoshimura. Instead, Moriya in particular will seek to use any subsequent restructuring of DFAA to cement the authority of the JDA Internal Bureau that he already runs "like a feudal kingdom," said Nakajima. The timing of the arrests of DFAA officials surprised JDA leadership, according to Nakajima. Moriya, who "has always known how the bid-rigging system works," arranged short notice travel to Kyushu to

avoid the press on the day of the arrests. JDA
Director-General Monji has also told us that the scandal will
only solidify Moriya's power.

Implications for the alliance

¶4. (C) Enhanced scrutiny of DFAA construction projects might
constrain the Japanese government's ability to meet the
"price" of local authorities to agree to base realignments,
predicted Nakajima. The local demand for an economic "quid
pro quo" from the central government for changes to U.S.
bases would not go away, he said, regardless of the scandal.
If post-scandal reform undermined Tokyo's ability to deliver
on those demands, local authorities could dig in their heels,
delaying an agreement on realignment.

¶5. (C) Efforts to secure local buy-in on Alliance realignment
moves was so far along, however, Nakajima said he was
"cautiously optimistic" the Japanese government would not
risk unraveling the progress DFAA had already made. In
Iwakuni, for example, DFAA had already won consent from
"eighty to ninety percent of local power brokers" to the move
of the U.S. carrier air wing to the Marine Corps Air Station
there (although the recent decision by the city's Mayor to
hold a referendum is a complication).

¶6. (C) Base communities have long benefited from the
collusion that has been "common practice" in allocating DFAA
construction projects, said Yoshimura. Projects on U.S.
bases have consistently been structured by DFAA to ensure a
"piece of the pie" goes to small and medium-size local firms,
bringing jobs and profits to the local economy and, often,

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friends of local politicians, she said. If efficiency were
the sole criteria for construction bids, noted Nakajima,
large companies would win every contract, leaving little
benefit for locals.

Forecast: business as usual

¶7. (C) Unless the Japanese government -- in particular
policy-makers in JDA, MOFA and the Prime Minister's office --
were willing to aggressively pitch the value of the U.S.
troop presence to public opinion at a national level,
construction projects would have to remain a key means of
securing local understanding, said Nakajima. The need for
"the dirty work of the Alliance" would continue, he said.
SCHIEFFER